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FISCAL IMPACT STATEMENT

LS 6644

BILL NUMBER: HB 1103

NOTE PREPARED: Jan 2, 2013

BILL AMENDED:

SUBJECT: Scholarship Granting Organizations.

FIRST AUTHOR: Rep. Davisson

BILL STATUS: As Introduced

FIRST SPONSOR:

**FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: The bill does the following:

- (1) The Governor, in consultation with the Indiana Economic Development Corporation (IEDC), shall designate not more than 11 Indiana Regional Work Areas (Work Areas) throughout the state.
- (2) An Indiana Regional Work Area Council (Council) is established for each Work Area. Members of each Council are appointed by the Governor, in consultation with IEDC. The Department of Workforce Development (DWD) is to provide staff support for each Council. Each Council shall prioritize the vocational or technical job skills that will be needed in the work area for the next four years; and prioritize the career, vocational, and technical training that will provide potential employees with the job skills required to find employment with employers located in the work area.
- (3) Each Council is considered a Scholarship Granting Organization (SGO). It provides that a student attending a public or accredited nonpublic secondary school may be eligible to receive a scholarship from an SGO for a career, technical, or vocational program or course designated by the Council. A Council may designate not more than five programs or courses for the year. The bill provides that, before the council may designate a particular program or course, the program or course must be approved by the State Board of Education, in consultation with the Commission for Higher Education. An approved program or course must be provided by:
 - (1) a postsecondary credit-bearing proprietary educational institution;
 - (2) a postsecondary proprietary educational institution;
 - (3) a state educational institution; or
 - (4) an approved postsecondary educational institution.
- (4) In order for a program or course to be approved by the State Board of Education, the program or course must be a dual credit course. It provides that the program or course may be offered through:

- (1) onsite instruction; (2) telecommunication; or (3) a combination of methods; at on-campus or off-campus sites.
- (5) The bill establishes an Indiana Regional Work Area Fund (Fund) for each work area, to be used to provide scholarships for a designated career, technical, or vocational program or course. It provides that each fund consists of donations. The bill provides that an individual who donates to the fund may be eligible to receive a School Scholarship Income Tax Credit. It also provides that each fund is administered by DWD and requires the State Board of Accounts to annually audit each Fund.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of Workforce Development (DWD)* - DWD will provide staffing for each Regional Work Area Council, will pay for the operating expenses for each Council, and will administer the individual Indiana Regional Work Area Fund for each Council.

Each Fund will pay for all scholarships awarded by the corresponding Council. Scholarship awards may not exceed the cost to the student for the programs/courses.

Additional Council expenses that will not be paid for out the Fund include per diems for members who are not state employees, travel and Council-related expense reimbursements, and audit fees. Annual audits, which must be performed by the State Board of Accounts, cost a rate of \$45.00 per day for each field examiner engaged in the audit. The cost for each meeting held by a Council is estimated to be \$1,100 (assuming that each designated Council is appointed with a full 16 member roster). The responsibilities associated with the development and administration of the scholarship program will incur cost, the level of which is currently indeterminable but is likely to be considerable. All of these costs will be absorbed by DWD.

The bill's requirements represent additional workload and expenditures on DWD outside of the agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions. The Department of Workforce Development administers the Adult Basic Education program for the state. IN FY 2013, DWD received \$12.6 M from the state and \$10.1 M from the federal government for this program.

Indiana Economic Development Corporation (IEDC) - The bill requires that the IEDC assist the Governor in designating the Work Areas, of which there is to be no more than 11. During this process, the IEDC and the Governor are to consider whether an area is a distinct economic growth region as well as a local commuter area. IEDC will also assist the Governor in choosing the Council members for each Work Area, of which there may be no more than 16 members per Council. The bill's requirements are within the IEDC's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

State Board of Education and Commission for Higher Education - The State Board of Education and Commission for Higher Education must approve any courses or programs chosen by a Council/SGO under this bill. Also, the State Board of Education is required to adopt rules to implement the provisions of the bill in consultation with IEDC, Commission for Higher Education, and DWD. The bill's requirements are within both agencies' routine administrative functions and should be able to be implemented with no additional

appropriations, assuming near customary agency staffing and resource levels.

State Board of Accounts - A Council/SGO created in this bill must be audited annually by the State Board of Accounts (current SGOs must contract with an independent certified public accountant for an annual financial audit). Upon completion of these audits, they must be forwarded to the Indiana Department of Education for review.

Explanation of State Revenues: *School Scholarship Tax Credit* - This tax credit is available to individuals or corporations who donate to an SGO. Therefore, this bill, since each Council is an SGO, creates additional opportunities for donors to qualify for this tax credit. Donors to an SGO are eligible to take advantage of a 50% credit against their individual or corporate state tax liability. There are no limits on how much a donor may contribute to an SGO. However, the entire program may not award more than \$5 M in credits per state fiscal year.

In FY 2013, there are \$5 M in credits available to qualified donors. As of December 27, 2012, \$1.2 M in credits were awarded, leaving \$3.8 M available for the remaining six months of the fiscal year. The Department of State Revenue (DOR) administers this tax credit.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DWD, IEDC, State Board of Education, Commission for Higher Education, Indiana Department of Education, DOR.

Local Agencies Affected:

Information Sources: DOR's website, <http://www.in.gov/dor/4305.htm>; DWD December 5, 2012 Presentation to the State Budget Committee.

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